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FOREIGN SERVICE DESPATCH

(Security Classification)

FROM : American Embassy, Tripoli.

189

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 3, 1955.

DATE

REF : Deptel 275 of January 21, 1955, Embtel 311 of February 2, 1955.

71 For Dept. Use Only	ACTION *2	DEPT.	I N F O OTHER	REF 2 OCK 2 OLI 6 E 4 5/MSA-1 OSD-4
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SUBJECT: Disposal of Economic Aid Funds.

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There are enclosed herewith copies of an exchange of letters between the Ambassador and the Libyan Prime Minister regarding the composition of the Joint Libyan-American Economic Commission.

There are also enclosed copies of a further exchange of letters between the Ambassador and the Acting Minister of Foreign Affairs regarding the payment and deposit of the initial \$4,000,000 of economic assistance to Libya. In addition to the reproducible copy, two certified copies of this exchange are provided for the Department's use in the event the U.S. Air Force and the Secretary of the Treasury should require them in effecting the payment and deposit of the funds.

For the Ambassador:

David G. Nes
David G. Nes
First Secretary of Embassy

Enclosures:

1. Cy of Letter to Prime Minister of Nov. 20, 1954.
2. Cy of Letter from Prime Minister to Ambassador Tappin of Jan. 27, 1955.
3. Cy of Letter from Ambassador Tappin to Prime Minister of January 29, 1955.
4. Cy of Letter from Acting Minister of Foreign Affairs to Ambassador Tappin of January 29, 1955.
5. Two Certified copies of Enclosure 3 above.
6. Two Certified copies of Enclosure 4 above.

cc: Benghazi

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TCAdams:ga
REPORTER

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The action office must return this permanent record copy to the R files with an endorsement of action taken.

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REVIEWED BY *G. M. Razi* DATE *May 6, 1982*

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Encl. No. 1
Desp. No. 189
From Tripoli

American Embassy,
Tripoli, Libya,
November 20, 1954.

My dear Mr. Prime Minister:

I refer to the Aide Memoire of October 26, 1954, from the United States Legation at Benghazi which set forth certain suggestions concerning the organization and functions of the Joint American-Libyan Economic Commission. You will recall that these suggestions were discussed by the United States Charge d'Affaires and the Director of the Foreign Operations Administration with the Libyan Minister of Finance and his advisor in Benghazi on November 1 and again with you on November 2. During these meetings the Minister of Finance also made certain recommendations and suggested various modifications of the points contained in the Aide Memoire under reference. I should like to set forth my personal observations and recommendations with respect to certain points as yet unresolved.

It seems to me desirable that membership in the Joint Commission should not as hitherto suggested include either the United States Ambassador or the Libyan Prime Minister. I believe these two officials could best serve the ends for which the Commission is created by withdrawing from day-to-day functions and by acting in the capacity of, say, a court of final appeal in the event disagreement should arise in the Commission. In my opinion, the United States members should be the Foreign Operations Administration Director and the Senior United States Embassy Economic Officer, each of whom should be represented by an alternate as necessary.

With respect to Libyan membership in the Joint Commission, I suggest the Minister or Ministers responsible for economic development and such other members as may be deemed appropriate by your Government to insure the Libyan majority envisioned.

I am in complete accord with the proposal for a full-time official to serve the Joint Commission as Executive Director, as outlined in paragraph 1(c) of the Aide Memoire under reference. Since this officer will be charged with the responsibility of carrying out the program of economic development as prescribed by the Commission, I feel strongly that there should be only one Executive Director. As you will recall during your visit to Washington in July you expressed a preference that this officer be an American. It might be advantageous, however, to appoint also a Deputy Executive Director who would be a Libyan national. I further feel that because of the nature of the Executive Director's responsibilities, it would be wise to choose a skilled engineer, rather than an economist, for this position. With regard to the selection of this officer, I should like, with your concurrence, to explore the possibility of obtaining on loan from the United States Corps of Engineers a qualified engineer of senior rank who could fill this position and who would require no remuneration above his present salary and allowances which are paid by the United States Government.

Accept, Excellency, the renewed assurances of my highest consideration.

His Excellency Mustapha Ben Halim,
Prime Minister of the U.K. of Libya.

/s/ John L. Tappin

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From Tripoli _____

UNITED KINGDOM OF LIBYA
Office of the Prime Minister

27th January 1955.

My dear Ambassador Tappin:

I owe you an apology. It appears that due to an oversight I have not replied to your Embassy's letter of 20th November, 1954, regarding your Government's proposals in respect of the composition of the Joint American-Libyan Commission. I really am very sorry indeed for this apparent discourtesy which I am certain you will know was not intended. It was due to a certain disorganization resulting from the move of the Government from Benghazi.

Belatedly, I wish to inform you that I and the other Members of the Council of Ministers agree to the proposals contained in your letter, both as regards the composition of the Commission and the Executive Director. On our side the Commission will be:

Dr. A. N. Aneizi (Minister of Finance)	- Chairman
Essayed Mohamed Bey Derna (Nazir of Agriculture, Tripolitania)	- Member
Essayed Fuad Kabazi (Nazir of Works, Tripolitania)	- Member
and either the Nazir of Agriculture or the Director of Agriculture, Cyrenaica	- Member

The question of a Libyan Deputy Executive Director can be left for future consideration.

I would like to suggest an early meeting of the Commission, even if it is only of an exploratory nature. If you agree to this suggestion perhaps your representative could arrange with Dr. Aneizi a suitable time and place for this first meeting.

Yours very sincerely,

/s/ Mustafa Ben Halim
PRIME MINISTER

The Honorable John L. Tappin,
Ambassador of the U.S.A. in Libya,
Via Grazioli, Tripoli

cc: Dr. A. N. Aneizi,
Minister of Finance,
Federal Government, Tripoli.

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From Tripoli

TO: His Excellency Mustafa Ben Halim,
Prime Minister & Minister of Foreign Affairs,
Government of the United Kingdom of Libya,
Tripoli.

American Embassy,
Tripoli, Libya,
January 29, 1955

Excellency:

I have the honor to refer to the letter dated September 9, 1954 from Lionel M. Summers, United States Charge d'Affaires, to Your Excellency confirming my Government's offer of economic assistance to Libya. You will recall that Paragraph A of that letter stated that four million dollars (\$4,000,000) of the initial assistance are now available for suitable development projects.

The Government of the United States is prepared to pay the four million dollars to the Government of Libya within about one week after receipt of notification of details regarding drawing and depositing of the funds. To this end it would be appreciated if Your Excellency would inform me of the name of the Government entity to whom the funds should be paid.

On the assumption that it is the desire of the Government of Libya to deposit these funds in the United States to permit accrual of interest pending disbursement, the following suggestions are offered:

1. Deposit with the Secretary of the United States Treasury. The funds can be transferred to the Secretary of the United States Treasury without the need of drawing a check and could be held in a special account subject to the instructions of the Government of Libya or its designated disbursing agent. Instructions could be given to the Secretary of the Treasury to retain a small portion of the funds in a cash account, which is non-interest bearing, and to invest the balance in ninety-day Treasury Bills maturing at staggered dates up to ninety days and bearing interest at rates slightly more than one per cent per annum. Such bills are customary investment for foreign government funds; they offer maximum security and are readily marketable at all times. Some of the funds might possibly be invested in United States Treasury notes, maturing in six months, one year, etc., which would provide a possibly greater yield but somewhat less liquidity.

2. Deposit in the Federal Reserve Bank of New York. Deposit in the Federal Reserve Bank would have to be made by the payee in its own name. A fraction of the funds could be retained as a demand deposit in the Bank and the remainder invested in the above-mentioned Treasury Bills.

3. Deposit in a private New York Bank. Deposit in a private New York bank would also have to be made by the payee in its own name. A time deposit in such bank might yield in the neighborhood of two percent but presumably for such a large amount a private bank would require some advance notice on withdrawals.

I should be pleased to convey the wishes of Your Excellency's Government in the foregoing matter to the Government of the United States.

Accept, Excellency, the renewed assurances of my highest consideration.

(John L. Tappin)

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From Tripoli.

UNITED KINGDOM OF LIBYA
Ministry of Foreign Affairs
N. 502/23/2

29th January, 1955.

The Honourable John L. Tappin,
Ambassador in Libya for the United States
of America,
Via Grazioli,
Tripoli.

Excellency:

I have the honour to refer to your letter dated 29th January, 1955, informing the Minister of Foreign Affairs that the sum of four million dollars (\$4,000,000) in respect of initial assistance for development projects is now available, and requesting information regarding the drawing and depositing of these funds preceding disbursement.

I would be grateful if you would request the Government of the United States of America to transfer the amount to the Secretary of the United States Treasury for him to hold in the name of the Government of the United Kingdom of Libya pending a decision of the Libyan-American Joint Commission as to how the funds are to be disposed. I would also be grateful if the Secretary to the Treasury could be requested to retain one million dollars (\$ 1,000,000) in a cash account and invest the balance of three million dollars (\$ 3,000,000) in ninety day Treasury Bills.

Accept, Excellency, the renewed assurance of my highest consideration.

/s/ A.N. Aneizi
(A.N. ANEIZI)

ACTING MINISTER OF FOREIGN AFFAIRS

cc: Prime Minister

cc: Minister of Finance

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